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August 1, 1997

Mr. David S. Guzy
Chief, Rules and Procedures Staff
Minerals Management Service
Royalty Management Program
P O Box 25165 MS3101
Denver CO 80225-0165

RE: Establishing Oil Value for Royalty Due on Federal Leases, and on Sale of Federal Royalty Oil - 62 Fed. Reg. 36030 (July 3, 1997)

Dear Mr. Guzy:

The Council of Petroleum Accountant's Societies (COPAS) appreciates the opportunity to comment on the MMS' supplementary proposed rule governing oil valuation for federal leases. COPAS members have extensive experience with Royalty Management Program (RMP) rules and handle royalty valuation, allowances, adjustments, bills, audits, and other royalty matters on a regular basis. Therefore, we believe our comments will be beneficial in improving RMP processes for both the MMS and industry.

General Comment

COPAS is extremely disappointed with MMS' publication of its supplementary proposed rule. While the supplementary proposal responds to a few concerns raised in the public comments and hearings, it does not respond to many of the core concerns and problems with the proposed rule. COPAS believes MMS should have refrained from issuing a supplementary proposal until it was prepared to address all the concerns raised in the comments and hearings.

Specific Comments

Section 206.101 Non-Competitive Crude Oil Call - COPAS does not agree with MMS' proposed definition. COPAS does not believe the call language must contain a "Most Favored Nations" clause or similar language to be considered competitive. In fact, a "Most Favored Nations" clause is typically found in natural gas contracts, not crude oil calls. Crude oil sold under a call provision should be valued at the sales price for royalty purposes unless the call

provision specifically provides for the price to be less than the price paid for comparable crude in the field or area under arm's-length transactions.

Form 4415 - MMS responded to a few of the questions regarding the proposed data collection, but COPAS believes there are still many unanswered questions and concerns. Therefore, COPAS continues to question the need for and usefulness of this form in general.

Below are COPAS' responses to MMS' requests for specific comments.

1. MMS requests specific comments regarding its concerns about a lessee's or MMS' ability to obtain prices under the Most Favored Nations clause.

   See COPAS' specific comments regarding 206.101.

2. MMS requests specific comments on whether it should request lessees using gross proceeds to certify that they are not maintaining an "overall balance".

   COPAS does not believe that a new certification is necessary, there is already a certification on Form MMS-2014 stating the form is true and accurate. MMS has not defined "overall balance ". How can lessees certify they are not maintaining such a balance when it is not even defined?

3. MMS requested comments on whether 206.102(a)(6) as proposed in January should be amended to specify purchase levels below which a lessee would not be required to value using index value.

   COPAS believes 206.102(a)(6) should be deleted.

4. MMS requested comments on the usefulness of collecting information about exchanges between two aggregation points.

   COPAS does not believe MMS has demonstrated the usefulness of collecting information about exchanges between an aggregation point and a market center. Therefore, we are totally opposed to additional data collection about exchanges between two aggregation points.

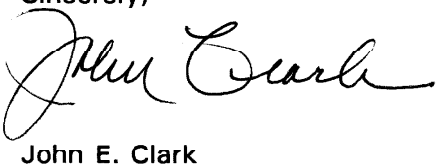
5. MMS requested comments on alternatives for valuing production.

   COPAS believes this request should be responded to by individual companies. However, COPAS notes that MMS has not responded to the alternatives suggested during the original comment period.

In summary, MMS' proposed rule of January 24, 1997 and the supplementary proposed rule deviate from its long history of determining value at or near the lease. MMS has decided to ignore a very competitive market for crude oil at or near the lease in favor of a NYMEX futures price. MMS' dramatic departure from lease terms and past practices is alarming. COPAS urges MMS to withdraw the proposed rule.

Again, COPAS appreciates the opportunity to provide comments. If you have any questions or wish to discuss further, please contact me at (405) 767-5044.

Sincerely,



John E. Clark
Chairman, COPAS Federal Affairs Subcommittee

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cc:
Larry Monzingo
Bill Stone
Mary Stonecipher
COPAS Federal Affairs Subcommittee

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